MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2015/2016

BSM3614 – STRATEGY

(All Sections/Groups)

8 MARCH 2016
9:00AM – 12:00PM
(3 HOURS)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **5 pages** (exclusive of cover page) only.

2. **Answer ALL FIVE (5) questions.** All questions carry equal marks and the distribution of the marks for each question is given.

3. Please provide all your answers in the Answer Booklet provided.

INSTRUCTIONS: Answer ALL FIVE (5) questions.

QUESTION 1 (20 MARKS)

(a) Take Disney. Its strategy is to create and commercialise "corporate franchises"[1] such as *Frozen* and *The Avengers* that strengthen the earnings power of each business in its broad portfolio of resort parks, movies, gaming, retail, theatre and more. Chief Executive Bob Iger can hold the individual businesses accountable for their own results and for strengthening the corporate franchises from which they all benefit. Moreover, with a strategy that brings real competitive advantages to its businesses, Disney has a more stable enterprise; those businesses have no better place to live than in the House of Disney.[2]

Exhibit your understanding of intensive strategies and explain Disney's "corporate franchises" strategy to be in the category of intensive strategies.

(15 marks)

(b) General Electric (GE) and Intel created a joint venture, *CareInnovations*, to aggregate more than 6.8 billion patient data points and provide insights to players in healthcare that can improve care delivery, reduce costs, and drive behavioural changes.[3] *CareInnovations* consults with hospitals, senior living facilities, doctors, insurance carriers, family caregivers and more. With 150 years of combined experience, GE and Intel came together to develop technology solutions that connect people to their healthcare teams, thereby giving them the confidence to live independently. *CareInnovations* is aimed at creating better care for patients while helping providers and payers manage risks and reduce healthcare costs[4].

Elaborate on how *CareInnovations* is an example of a strategic alliance.

(5 marks)

QUESTION 2 (20 MARKS)

(a) The purpose of an external audit is to develop a finite list of opportunities that could benefit an organisation and threats that should be avoided. The external audit is not aimed at developing an exhaustive list of every possible factor that could influence the business. Rather, it is aimed at identifying key variables that offer actionable responses. Organisations should be able to respond either offensively or defensively

[1] Note: The term "corporate franchise" denotes all merchandise and services, including films, related to a film franchise i.e.a series of films comprising of the original and its subsequent sequels thereafter. For example, the corporate franchise of "The Avengers" involves the film and its sequels, toy merchandise, games, apparel etc.
[2] Sourced from: http://www.strategy-business.com/blog/One-Company-Two-Identities-One-Strategy
[3] Sourced from: http://www.strategy-business.com/blog/Five-Rules-for-Strategic-Partnerships-in-a-Digital-World
[4] Sourced from: http://www.careinnovations.com/about/

to the factors by formulating strategies that take advantage of opportunities or that minimise the impact of potential threats.

(i) Explain how Facebook, Twitter and Instagram can represent a major threat or opportunity for an organisation. **(4 marks)**

(ii) A Competitive Profile Matrix (CPM) focuses on three (3) organisations, of which all three achieve the same Total Weighted Score. Explain. **(4 marks)**

(b) Below is a 2014 internal assessment of a reputable entertainment conglomerate.

No	Strengths	Weight	Rating
1	The annual visitor attendance to its parks and resorts increased from 118 million in year 2008 to 132.549 billion in year 2013.	0.05	3
2	Its average net profit margin of 12.80% over 5 years is higher than the industry average of 10.00%.	0.06	3
3	Its top management team is guided by four core concepts drawn out in 1922 – "to dream, to believe, to dare, and to do".	0.08	4
4	It has a diversified portfolio: media networks, parks and recreation, studio entertainment, consumer products, and interactive media, with a market capitalisation of US$142.92 billion for 2013.	0.06	4
5	Its shares have increased from US$22.76/share in 2009 to currently US$84.50/share in 2014.	0.05	3
6	In 2013, it was recognised as the world's #17 most valuable brand by Forbes and #9 most admired company by Fortune.	0.06	3
7	Among its acquisitions are Marvel, ABC, Pixar, Lucasfilms, and ESPN. Hulu, a subsidiary, made an average revenue growth of $196 million over 5 years from 2008; its latest revenue being $1 billion for 2013.	0.07	4
8	Frozen, Toy Story 2 and The Lion King are ranked as all-time #1, #2 and #3 animated films with worldwide sales of $1.259 billion, $1.063 billion and 988 million respectively; Finding Nemo rates at #5 with worldwide gross of $937 million.	0.07	4
No	**Weaknesses**	**Weight**	**Rating**
1	Its total debt increased by 12% from US$12,704 million in 2010 to US$14,562 million in 2013.	0.06	2
2	Almost 70% of its revenues are concentrated in US and Canada.	0.06	1
3	Park employees are paid an average of US$8.36 per hour.	0.06	2
4	It has not increased its dividends since 2010	0.07	2
5	Its European theme park has been facing problems since it opened in 1992; it has suffered annual losses 13 times and in 2013, they had debt refinancing issues and had to face demands from France's largest trade union to increase 14,500 staff salaries by 1.5%.	0.07	2
6	Its film operations account for less than 15% of its total revenue.	0.08	1
7	It has low gross margins at 18.58% compared to the industry average of 40.88% and Time Warner's 44.42%.	0.05	2
8	Its interactive subsidiary eliminated 700 jobs, around 23% out of its 3000- employee workforce in March 2014.	0.05	2

(i) **Based on the above table, do the necessary calculations and conduct an IFE of the above organisation.** **(9 marks)**

(ii) **From your findings in (i), provide recommendations for the organisation to plan for its future growth.** **(3 marks)**

QUESTION 3 (20 MARKS)

Provided is the redacted 2014 internal/external analysis for a Strategic Position and Action Evaluation (SPACE) Matrix of a global player in the clothing retail industry.

Internal Analysis		**External Analysis**	
Financial Position (FP)		**Stability Position (SP)**	
eCommerce position	5	Technological changes	-2
Supplier costs	3	Purchasing power	-3
Debt position	3	Spending habits	-2
Gross margins	3	Business risk	-2
Sales growth	4	Factor of inflation	-3
Competitive Position (CP)		**Industry Position (IP)**	
Customer experience	-2	Financial stability	6
Labour issues	-5	Profit potential	5
Leadership	-2	Ease of entry into market	3
Branding	-2	Growth potential	4
Product development	-2	Competitive pressure	6

(a) **Discuss the SPACE Matrix.** **(5 marks)**

(b) **Based on the above table, do the necessary calculations and plot the SPACE graph. (*Marks will be allocated for workings.*)** **(10 marks)**

(c) **Based on your findings in (b), provide recommendations for the organisation to plan for its future growth.** **(5 marks)**

QUESTION 4 (20 MARKS)

(a) Firms with a traditional CEO but an ethically diverse board were [found to be] the most successful at innovating and establishing effective operational systems.[5]

Argue FOR the above statement within the context of corporate governance. **(12 marks)**

[5] Sourced from: http://www.strategy-business.com/blog/The-Advantages-of-a-Diverse-Board

(b) It [has] been [Angela Ahrendts'] job to keep the 158-year-old [Burberry] brand looking fresh, and she [has] done so not by abandoning the company's past successes in favour of the radically different. The company's iconic trench coat, for example, is more than a century old, yet remains the company's flagship product. How does Burberry keep customers coming back for more? Ahrendts explains: "*The trench coat is ageless, timeless, seasonless. We don't use any of the traditional marketing metrics when we're looking at the trench coat. The goal is to make it the most artistic item of the season; the goal is to make it the most classic item. If the trench coat gets too narrow, then we haven't done our job. In our mind, everyone in the world should have a trench coat, and there should be a trench coat for everyone in the world. It doesn't matter your age; it doesn't matter you gender.*"

Elaborate on incremental innovation and how Burberry's trench coat is an example of incremental innovation.

(8 marks)

QUESTION 5 (20 MARKS)

(a) If you [have] ever felt like your Facebook News Feed is filled with people you do [not] care about sharing thoughts you did [not] particularly want to hear, you [will] appreciate why Facebook is pushing to further the art of artificial intelligence [AI]. In its current form, the social network is still far better at collecting vast amounts of data than understanding what that data means. Advanced AI could help emphasise the stuff that [is] truly relevant to you, keeping you on the service longer and boosting your attractiveness as a subject for targeted advertising. Kevin Systrom, Facebook co-founder, says, "*Facebook is working to be at the centre of the world of AI because it will affect Instagram, WhatsApp, and Messenger. It's broadly applicable to all social products.*"[6]

Justify how the Internet makes market segmentation easier for Facebook.

(5 marks)

(b) Facebook announced that global employees will receive four months of paid parental leave, in the latest in a series of signs that Silicon Valley's biggest companies are becoming more family-friendly. "*We want to be there for our people at all stages of life, and in particular we strive to be a leading place to work for families,*" wrote Lori Matloff Goler, Facebook's Human Resources head, in a Facebook post. She said the updated policy affects primarily men and people in same-sex relationships across the world, and does not alter existing maternity leave practices. Just last week, Mark Zuckerberg announced that he will take two months of parental leave when his wife Priscilla Chan gives birth to their first child. In the post he cited the paternity leave time of four months for Facebook employees in the U.S., which has now been

[6] Sourced from: http://www.fastcompany.com/3052885/mark-zuckerberg-facebook

expanded to include all of the roughly 12,000 Facebook employees worldwide. Facebook is the latest in a growing list of tech companies updating their paternity leave policies, including Adobe, Apple, Microsoft, Netflix and Spotify. The updates to existing parental leave policies reflect a cultural shift within the tech industry, as many young employees in Silicon Valley reach the next stage of their lives.[7]

Demonstrate how Facebook is able to ensure a well-designed strategic management system by securing sufficient attention to its human resource dimension.
(15 marks)

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[7] Sourced from: http://time.com/4128702/facebook-expanding-parental-leave-four-months/